

Tax Facts

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Is there a tax incentive program for you?

A number of new tax incentive programs have been initiated in Washington over the past several years. In addition, several existing programs have been expanded so that new and existing manufacturers, research and development firms, and certain high technology companies can benefit. Check our web site to see if you qualify for any of the programs. Click on "Tax Incentives" under "Quick Clicks" on our home page at <http://dor.wa.gov>.

Workshops on manufacturing tax incentives are scheduled for SeaTac and Spokane in early 2007. See page 3 for specific information.

Tax Incentive Programs

- Manufacturing in rural counties
- High technology industries: research & development, manufacturing, services
- Aerospace industry
- Renewable energy (solar, wind, certain types of anaerobic digesters, and biofuel)
- Food processing industry
- Semiconductor industry
- Aluminum smelting industry
- Farming & agriculture
- Biotechnology industry – manufacturing
- Electrolyte processing industry

Two Programs Assist Seniors and Disabled Pay Property Taxes

The state's Property Tax Exemption and Property Tax Deferral programs are designed to help senior citizens and disabled persons pay their property taxes and/or special assessments. Your household income, age, and disability status will determine if you are eligible for the programs.

Property Tax Exemption Program At a Glance

Under the exemption program, the value of your residence is frozen at the current assessed value for property tax purposes. You then become exempt from all excess and special levies, and possibly regular levies, resulting in a reduction in your property taxes. The exemption is available for a primary residence and one acre of land. However, if local zoning and land use regulations require more than one acre of land per residence, you may be eligible for a property tax exemption on up to five acres of land. A mobile home may qualify, even if the land where the mobile home is located is leased or rented.

To be eligible for this program, you must meet the age or disability, ownership, residency, and income requirements. Please see accompanying chart for details.

Property Tax Levies Eligible for Exemption

The assessed value of your residence is "frozen" as of January 1, 1995, or January 1 of the initial application year, whichever is later. If your annual disposable income for the application year is \$35,000 or less, your home will be exempt from all excess and special levies. In addition, if your income is \$30,000 or less, a portion of the regular levy amount may be exempt. Thus, if your household income is between \$25,001 and \$30,000, you are exempt from regular levies on \$50,000 or 35 percent of the assessed value, whichever is greater (but not more than \$70,000 of the assessed value). For example:

Household Income:	\$ 26,000
Assessed home value:	\$150,000
Taxable property value:	\$150,000
	- \$52,500 = \$97,500
	(35% of \$150,000 = \$52,500)

Likewise, if your household income is \$25,000 or less, you are exempt from regular levies on the first \$60,000 or 60 percent of your home's assessed value, whichever is greater. For example:

Household income:	\$ 12,000
Assessed home value:	\$150,000
Taxable property value:	\$150,000 - \$90,000 = \$60,000 (60% of \$150,000 = \$90,000)

Renew Applications Every Four Years

A renewal application is required at least once every four years. After your initial application and approval, you will be notified by your county assessor when it is time to submit a renewal application.

More Information

Your local county assessor will be able to provide further information about computing disposable income, deductions from disposable income, how to apply for the exemption, the appeal process, how to get a refund from a previous year, and other important details.

For more information on the Property Tax Exemption program, contact your local county assessor or visit <http://www.mrsc.org/byndmrsc/counties.aspx>.

Property Tax Deferral Program At a Glance

Under the deferral program, the Department of Revenue pays the property taxes and/or special assessments on your behalf. (A special assessment, also known as Local Improvement Districts or Utility Local Improvement Districts, is for a local improvement that directly benefits your property. Examples include assessments for sewer, lights, water, paving, or curbing.) The deferred amount, plus interest, becomes a lien in favor of the state until the total amount is repaid. Repayment is made directly to the Department of Revenue and the annual interest rate for deferrals made after January 1, 2007 is five percent. Property tax deferral is available for a primary residence and one acre of land. However, if local zoning and land use regulations require more than one acre of land per residence, you may be eligible for a property tax deferral on up to five acres of land. A mobile home may qualify, even if the land where the mobile home is located is leased or rented.

To be eligible for this program, you must meet the age or disability, ownership, residency, and income requirements. Please see accompanying chart for details.

Annual Application

The deferral is not automatic and you must file a renewal application each year you want to defer your taxes and/or special assessments. If you are deferring special assessments, you must choose the installment payment method if it is available.

More Information

Your local county assessor will be able to provide further information about insurance coverage, property taxes and special assessments, how to calculate disposable income, what constitutes disposable income deductions, how to apply for the deferral, and other important details.

For more information on the Property Tax Deferral program, contact your local county assessor or visit <http://www.mrsc.org/byndmrsc/counties.aspx>.

Property Tax Assistance Eligibility Requirements

	Deferral Program	Exemption Program
Age OR Disability	60 years old on December 31 of application year OR Unable to work due to disability	61 years old on December 31 of application year OR <ul style="list-style-type: none"> • Unable to work due to disability • Veteran with 100% service connected disability
Disposable income level	Cannot exceed \$40,000 * (including you, your spouse & co-tenants)	Cannot exceed \$35,000 (including you, your spouse & co-tenants)
Property ownership	<ul style="list-style-type: none"> • Fee owner; or • Contract purchase • Irrevocable trust may qualify 	<ul style="list-style-type: none"> • Fee owner; or • Contract purchase; or • Life estate or lease for life; or • Revocable trust may qualify
Residency	<ul style="list-style-type: none"> • Principal home; and • Occupy home for more than six months each year 	<ul style="list-style-type: none"> • Principal home; and • Occupy home for more than six months each year

* If your income is less than \$35,000, you must apply for the exemption program before you apply for the deferral program.

For detailed information about the exemption and deferral programs, contact your local county assessor or visit <http://www.mrsc.org/byndmrsc/counties.aspx>.

Commute Trip Reduction Reminder

Employers or property managers that provided commute trip reduction incentives to or on behalf of their own or other employees during calendar year 2006 are eligible to apply for a commute trip reduction credit.

To be eligible for the credit, employers or property managers must complete an online application. The Department must receive the application between January 1 and January 31, 2007. The credit may not exceed \$60 per employee per year. In addition, there is a statewide credit cap of \$2,750,000 and an individual business cap of \$200,000.

Complete information can be found online at <http://dor.wa.gov>.

Nonresident Consumer Purchases and Washington Sales Tax

Generally, Washington retailers must charge sales tax to nonresident buyers from other states or foreign countries on their purchases of tangible personal property while in Washington. The only situations where purchases of tangible personal property by nonresident buyers are exempt from sales tax are when:

- The seller ships the item directly to the buyer's out-of-state address. In such cases, delivery is not taken in Washington, so the sale is exempt from Washington sales tax as an "interstate/foreign" sale. (See WAC 458-20-193.)
- The buyer gives the seller a completed Washington resale certificate.
- The nonresident buyer is from a state, Canadian province, or U.S. possession that has a sales tax rate of less than three percent and the item purchased is tangible personal property for use outside of Washington. The exemption does not apply to labor, meals, hotels, etc., purchased and consumed in Washington. This exemption is available at the retailer's discretion and the retailer must examine and keep a record of a piece of identification that establishes the nonresident buyer's residency in a qualifying jurisdiction. (For more information, see ETA 2014.08.193.)
- A nonresident buyer purchases a motor vehicle, camper, or trailer under the authority of a valid trip permit or with license plates from their home state. (For additional qualifying requirements, see WAC 458-20-177.)
- A nonresident buyer purchases a vessel for use outside this state. The exemption provided by RCW 82.08.0266 applies to nonresidents for watercraft requiring US Coast Guard documentation or registration with the state in which the vessel will be principally used. The exemption under RCW 82.08.02665 applies to sales made to foreign residents. (For additional requirements, see WAC 458-20-238.)

Please note, all of these exemptions take place at the time of sale. The law does not provide for any refunds to nonresident buyers after the sale is complete.

Correction to Unclaimed Property Reporting Dates

The September/Quarter 3 Tax Facts newsletter incorrectly listed unclaimed reporting periods for uncashed payroll checks and patient safekeeping. The correct reporting periods are:

- Uncashed payroll checks – one year
- Patient safekeeping – five years

We apologize for any inconvenience.

Tax Workshops

Free workshops throughout the state

Visit our web site for more information <http://dor.wa.gov>

Are you looking for a tax workshop in your area? Check out our web site! We offer workshops free of charge throughout the state. To view the updated schedule or for more information, visit our web site at <http://dor.wa.gov>, click on Doing Business, then select "Workshops" from the menu on the left side.

Once you find the workshop that's right for you, register online or call us to sign up.

Manufacturing Tax Incentives

1/18/07 **Burien** 9 - 11 a.m.
SeaTac Occupational Skills Center, Yorkmark Conference Room, 18010 8th Ave S - **Register at <http://dor.wa.gov> or call (206) 433-2524**

1/18/07 **Burien** 1:30 - 3:30 p.m.
SeaTac Occupational Skills Center, Yorkmark Conference Room, 18010 8th Ave S - **Register at <http://dor.wa.gov> or call (206) 433-2524**

2/15/07 **Spokane** 1:30 - 3:30 p.m.
Spokane Community College, Sasquatch Meeting Room, 1810 N Greene St - **Register at <http://dor.wa.gov> or call 1-800-647-7706**

Business Outreach

These workshops provide a basic overview of taxes that apply to various business activities in Washington. Check our web site for dates and times.

Construction

This workshop provides tax information specific to the construction industry, including: custom and speculative construction, government contracting, public road construction, and construction on Indian land. In 2007, we will be conducting several workshops throughout the state, including Mount Vernon, Longview, Seattle, Aberdeen, Yakima, and Spokane. Check our web site for locations, dates, and times.

Rule Making

Following is a list of the Department of Revenue's excise tax rules that were recently adopted and repealed. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, contact us online at <http://dor.wa.gov> and click on Laws and Rules, then one of the bullets under "Rule Making." You may also call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WAC) adopted or amended:

- 458-20-24001 Sales and use tax deferral – Manufacturing and research/development activities in rural counties – Applications filed after March 31, 2004. Effective September 3, 2006.
- 458-20-24001A Sales and use tax deferral – Manufacturing and research/development activities in rural counties – Applications filed prior to April 1, 2004. Effective September 3, 2006.
- 458-20-24003 Tax incentives for high technology businesses. Effective September 30, 2006.
- 458-20-243 Litter tax. Effective September 23, 2006.
- 458-20-267 Annual reports for certain tax adjustments. Effective October 22, 2006.
- 458-20-270 Telephone program excise tax rates. Effective September 2, 2006.
- 458-20-273 Renewable energy system cost recovery. Effective August 31, 2006.

Forest tax rule (WAC) adopted or amended:

- 458-40-610 Timber excise tax – Definitions. Effective September 23, 2006.
- 458-40-690 Timber excise tax – Credit for property tax. Effective August 31, 2006.

Property tax rules (WAC) adopted or amended:

- 458-16-180 Cemeteries. Effective October 22, 2006.
- 458-18-220 Refunds – Rate of interest. Effective November 16, 2006.
- 458-30-330 Open space plan and public benefit rating system – Authorization and procedure to establish – Adoption – Notice to owner – Valuation. Effective September 24, 2006.

Property tax rules (WAC) repealed:

- 458-30-335 Rating system – Procedure to establish. Effective September 24, 2006.
- 458-30-340 Rating system – Adoption – Notice to owner – Loss of classification. Effective September 24, 2006.

Real estate excise tax rules (WAC) adopted or amended:

- 458-61A-211 Mere change in identity or form – Family corporations and partnerships. Effective October 26, 2006.

Changes to interpretive/policy statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories and Property Tax Advisories, to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories adopted:

- 2032.04.194 Cost apportionment – Treatment of costs incurred for multiple purposes. Effective August 3, 2006.
- 2033.04. B&O tax exemption for property managers (RCW 82.04.394) – On-site personnel working at multiple properties. Effective October 16, 2006.

Update and Maintain Your Account Online

Now you can update your account information real-time. No more waiting for a manual update on your account.

You can update your:

- Mailing address, phone, fax and e-mail
- Business location changes or closures
- Account closures

To use this service, sign up for Online Services. If you are already signed up for Online Services, click on Update My Account or Close My Account from your account information page to begin.

Visit our web site at

<http://dor.wa.gov>

Telephone Information Center

800-647-7706

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